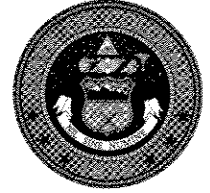


STATE OF COLORADO

OFFICE OF THE GOVERNOR

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Bill Ritter, Jr.
Governor

December 9, 2008

President-Elect Obama
Office of the President Elect
451 6th St. NW
Washington, D.C., 20270

Dear President-Elect Obama:

I am writing to ask that, as you finalize your economic stimulus package, you emphasize funding for infrastructure including transportation and energy related projects that represent both short term stimulus and long term economic growth. More specifically, I hope your administration will include the following recommendations.

Transportation Infrastructure: We believe that critical elements of the 2009 stimulus package can be identified by looking at the House-passed stimulus bill, H.R. 7110. The bill contains a number of key elements that should be contained in any stimulus package, including:

- Funding for Highways, Transit, and Aviation
- Match requirement waived (projects are 100% federally funded)

Colorado is ready to act on transportation funding. In anticipation of a federal stimulus package for infrastructure, we have identified a list of potential projects amounting to:

- Highways: 112 projects, totaling \$1.1 billion
- Aviation: 23 projects, totaling \$113 million
- Transit: 22 projects, totaling \$144 million

Each of these projects will be "ready to go" and can be advertised in 180 days or less. These projects are consistent with the Colorado Department of Transportation's (CDOT's) 2035 Statewide Transportation Plan and programming process. CDOT will utilize its planning process in cooperation with our local partners to prioritize ready to go projects consistent with guidance from a stimulus package.

An economic stimulus package is vital to Colorado's economy and will help address the transportation shortfall Colorado is experiencing this fiscal year. However, an immediate stimulation through infrastructure investment should not be seen as addressing the need for a long-term solution to our transportation funding crisis. Transportation funding has eroded to the degree that Colorado's transportation budget for fiscal year 2010 (accounting for inflation) is equivalent to the budget twenty-five years ago, in 1983. Colorado's Department of Transportation can no longer fulfill its mission to provide the best multi-modal transportation system that most effectively moves people, goods, and

information without additional long-term investments at both the state and federal level. In this regard, we look forward to working with your administration in developing long-term transportation policy and funding as the current federal transportation authorization bill, SAFETEA-LU, comes to an end in 2009.

Traditional Energy, the New Energy Economy, and Energy Efficiency Infrastructure:

There are several immediate opportunities to simultaneously address economic stimulus, jobs and energy/climate issues. These include:

- Putting money into communities quickly by immediately appropriating to the \$125 million authorized level of U.S. Department of Energy's (DOE's) State Energy Program grants (now \$34 million), and by creating a \$10 billion direct install energy efficiency retrofit program, run by the states, for all types of buildings—industrial, commercial, institutional, and residential. The first \$5 billion should go out immediately, with the second \$5 billion going to states that demonstrate performance based on monitored/verified savings 1 year after enactment.
- Funding the Energy Efficiency and Conservation Block Grant at the full \$2 billion authorization.
- Increasing the Weatherization budget to \$1 billion, and allowing implementation flexibility using performance goals instead of required mechanisms.
- Increasing funding for transmission assistance for utilities and for Transmission Bonding Authorities.

Additional recommendations from Colorado include:

Renewables and Efficiency

- Encouraging renewable energy manufacturing by providing a 7-year federal tax moratorium on all new renewable energy manufacturing facilities, and establishing long-term purchasing contracts for solar photo-voltaic systems on all federal facilities nationwide.
- Providing major, consistent investments in solar, wind and biofuels. Japan spends 2 – 3% of its GDP on Research and Development. We recommend increasing support for the important research currently underway at Department of Energy's National Renewable Energy Laboratory.
- Increasing affordability for renewable energy for average consumers by:
 - Making the Investment Tax Credit (ITC) transferable so we can up-front finance costs for small businesses and homeowners through transference of the tax credit to a financing entity.
 - Making the Investment Tax Credit refundable for people under a particular income level to help us get systems onto households that don't have a sufficient tax liability to take advantage of the ITC 30% reduction in costs.
 - Capitalizing loans or federal loan guarantees for renewable purchases.
 - Ensuring reduced rates for Energy Star rated homes and home financing that includes the installation of a renewable energy system.
 - Increasing the Energy Efficiency Tax Credit from the current 10% for most improvements to 30-50%. Remove the \$500 cap on efficiency tax credits or raise it to \$2000. Allow for the tax credit to be refundable and/or transferable so that we can secure financing for those who have no taxable income or can't fully benefit from the tax credit.

- Fixing Federal provisions that are impediments in public assistance for renewable energy projects:
 - **Private Activity Bond Issues:** Recognize in the International Residential Code (IRC) that energy efficiency/renewable energy improvements loans fit the definition of governmental purpose, and therefore federally-tax-exempt bonds issued and loans made for these purposes are exempt from the VAC, loan amount caps and the household income limits.
 - **IRC Double-Dipping Provision:** Repeal the anti-double-dipping provision as applies to energy efficiency and renewable energy improvements.
- Fostering Utility Scale Renewable Development. Because they are relatively new and are involved in a very capital intensive industry, most wind and solar energy generation companies don't have enough taxable income to utilize the tax credits—renewable production tax credit (PTC), solar investment tax credit (ITC), and accelerated depreciation (MACRS)—intended to incentivize investments in renewable energy facilities. We recommend allowing the PTC and ITC as well as the associated MACRS to be refundable for facilities placed in service in 2008 and 2009 only
- Speeding transition to plug-in vehicles. The Energy Improvement and Extension Act of 2008 allows a new federal tax credit for new qualified plug-in electric (PHEV) vehicles. We recommend allocating funds to state energy offices to provide immediate grants for PHEV conversions, and, as PHEVs become available, providing auto manufacturers with incentives to offer PHEVs to fleets as soon as they are available to consumers.

Transmission

- Developing and fund a bold vision for a transmission DC backbone akin to the interstate highway system, with AC/DC on-ramps and off-ramps. Guarantee a price for renewable power delivered to the backbone and distributed throughout the country. Existing authorities, private transmission companies and utilities would then have a mechanism for building transmission towards a common vein for power distribution across the nation's different grid systems. This would vastly increase the markets for renewable power while allowing the entire system to benefit from broad regional integration of different renewable sources.
- Tax-exempt financing for state transmission authorities. This allows transmission to renewable energy zones to qualify for raising of Private Activity Bond Cap, and to issue tax-exempt bonds.
- Western Renewable Energy Zones (WREZ): Dedicate funds for massive transmission upgrade focused on WREZ zones identified in the Western Governor's Association WREZ project.
- Smart Grid: Provide **major research funding** for grid integration and grid management projects, such as Colorado's FortZED program, the Xcel SmartGrid City, and Colorado's Research Collaboratory. Establish national communications standards for the smart meter technologies being developed for both the home metering side as well as the meter to utility side of the communications spectrum. Establish standards for appliance development that integrate new smart meter capable technologies that allow utilities to maximize demand management through smart grid systems.

Traditional Energy

- Oil and Natural Gas: The Federal Energy Regulatory Commission has been moving expeditiously to permit new pipelines, but there is still a lot of shut-in gas in Colorado and the industry needs at least one new pipeline to the East. The principal problems for industry are risk and the unavailability of credit. Providing a federal loan or other support for new pipelines would be in the national interest.
- Coal will continue to play an important role in addressing our nation's energy needs, and research is needed to address climate change issues. We recommend that the federal government immediately commit \$10 billion to 5 pilot deployment locations throughout the country along with another \$10 billion in focused technology development research.

Research and Development

- At the same time infrastructure is developed to accelerate growth in our nation's New Energy Economy, we also recommend increasing investment in Research and Development that will keep our nation on the forefront of this 21st century industry.
- In Colorado, we are fortunate to house the National Renewable Energy Laboratory (NREL), and have grown our own, "Collaboratory" – a partnership between several universities and laboratories that is also advancing research and partnerships. Strategic federal investment in these types of research efforts will pay substantial dividends for many years to come.

The nation faces significant challenges on a number of fronts. However, these challenges create enormous opportunities. Through wise investments in infrastructure, we can hasten economic recovery, and put the nation on a path for long-term vibrant growth. Thank you for your thoughtful consideration of these recommendations.

Sincerely,

A handwritten signature in dark ink, reading "Bill Ritter, Jr." in a cursive, flowing script.

Bill Ritter, Jr.